

The system of taxing the purchase and sale of property in the uk is unfair and it...

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Taxation Law By Due The charge on sale and purchase of land is regulated under Stamp Duty Land Tax which was enacted in 2003 to replace the old stamp duty. SDLT is levied on all land transactions, and it is chargeable regardless of the fact whether the transaction is effected through an instrument or no document has been executed in UK. On the disposal of land, capital gains tax may also be payable. Its determination is due on the fact whether the seller of land usually trades in land. If the seller trades in land, no CGT is payable. In that case, the seller is subjected to tax under Part 3 of Income Tax (Trading and Other Income) Act 2005. Section 260 of ITTOIA regulates taxation of income from property. According to Part 2 of s 260, there is no charge on business of letting property. Income from land is calculated very much like any other income for the purpose of taxation. It is calculated by summing up all the receipts and by deducting the allowable expenditures. Deductions that are allowed are related to mortgage interest payments and, wear and tear. If a taxpayer is subjected to CGT on sale of property, it would be more beneficial for him as there are more deductible expenditures and allowances available. If a small part of land is disposed, CGT is chargeable. But the disposal consideration is not required to be brought in until the rest of the land is sold too. The small part disposal must not be more than one-fifth of the market value of land. Principle private residence relief (PPRR) is another very important relief under which the gain made after disposal is completely exempt when the taxpayer's own home is sold. This relief is provided so that people are encouraged to buy property, and the housing market does not slow down. However, the taxpayer needs to fulfill certain conditions that prove that he really is house owner. SDLT is

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levied on all land transactions and is not in the form of slabs i. e. different rates are payable for different amounts of transactions. For instance, no tax is levied on sales up to ? 125, 000, 1% tax is levied on sales ranging from ? 125, 000 to ? 250, 000. This system of taxation can be very unfair. It is because the rates applicable are payable on the whole consideration of the transaction. For instance, if there a sale which has the total consideration of ? 260, 000, it would not be that 0% tax would be levied on the first ? 125, 000, 1% on the next ? 125, 000, and 3% on the remaining ? 10, 000. Instead, 3% tax would be levied on the whole ? 260, 000. 1% tax on ? 250, 000 amounts to ? 2, 500, and 3% tax on ? 260, 000 amounts to ? 7, 800. This means that the extra ? 10, 000 of the consideration result in an increase of ? 5, 300. On the basis of canon of equality, this tax fails terribly. In reality, there is not much difference between a taxpayer that can pay ? 250, 000 for a piece of property and a taxpayer that can pay ? 260, 000. The difference in tax rates sets them miles apart. The canon of equality suggests that a good tax is one in which every individual pays according to their ability. Another factor of inequality is that the prices of land are not set according to the area only. The prices also greatly depend on the location of the land and the usefulness of the soil. For instance, a land that is at a distance from the rest of city would be cheaper than the one in the middle of the city. For a particular consideration, one can get greater area of land which is away from the city. SDLT is levied at similar rates all across the country. Therefore, it proves to be very unjust and unfair, and defies the canon of equality.

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